

AR45



47TH ANNUAL REPORT 1970





## ANNUAL MEETING

The Annual Meeting of our Shareholders will be held at the Royal York Hotel, 100 Front Street West, Toronto, at 11.30 o'clock in the morning, on Tuesday, February 23rd, 1971.



# CRUSH INTERNATIONAL

LIMITED

47TH ANNUAL REPORT, FISCAL YEAR ENDED OCTOBER 28, 1970

# Report to Shareholders of

## Crush International Limited

In 1970 the Company had the most successful year in its history. Consolidated net earnings after tax amounted to \$2,417,020 or 58¢ per common share compared to \$2,002,263 or 48¢ per common share in 1969—a 21% increase.

### Financial

The 58¢ per share figure does not include an item for extraordinary income arising out of the closing of our Toronto Plant in 1969, of \$78,920 after tax or 2¢ per share. Gross operating revenue of \$35,341,565 decreased from \$37,121,948 a year ago as a result of the loss of sales in Toronto and Montreal plants which were both franchised in the 1969 calendar year and because the United States and foreign incomes were converted into Canadian dollars at a significantly lower rate of exchange than in the previous year due to the freeing of the Canadian dollar during this fiscal year.

The financial strength and earning capacity of your Company is again evidenced by its performance over the past year. Working capital showed an increase of \$1,208,759, and at year end stood at \$6,959,167. Cash and short-term investments amounted to \$6,992,612. Book value per share rose

to \$3.19 from \$2.82 at the previous year end. Net earnings (before extraordinary income) in relation to sales, increased from 5.4% a year ago to 6.8% in 1970. Dividend payments increased from 15¢ per share in 1969 to 20¢ per share in 1970, and in addition an extra dividend of 5¢ per share was paid in the fourth quarter. Total dividend payments amounted to \$1,038,965 vs. \$634,101 a year ago.

### United States

In January 1970 your Company acquired the assets of Sun-drop Sales Corporation of America, St. Louis, Mo. This business was started in the 1930s and has more than 80 franchised bottlers today. This now brings our family of bottlers close to 1,000 throughout the world. Sun-drop was integrated with our CRUSH and HIRES operation in Evanston, Ill., with a minimum of inconvenience and cost.

Sun-drop is a successful cola drink distributed primarily in the Central and Southern United States. The area of distribution will be enlarged in time to cover other potential markets in the United States and Canada. A new marketing programme

### Highlights of the Year

	1970	1969	% Increase
Net Earnings before taxes - - - - -	\$4,681,520	\$3,759,624	24
Provision for Income Taxes - - - - -	2,264,500	1,757,361	29
Net Earnings - - - - -	2,417,020	2,002,263	21
Earnings per Common Share - - - - -	.58	.48	21
Working Capital - - - - -	6,959,167	5,750,408	21
Common Shares Outstanding - - - - -	4,158,478	4,148,828	—



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has been developed and new packaging is in preparation for 1971.

Your Company's growth in the United States is encouraging and our programme for development of major markets continues with 20 new CRUSH franchises and 11 new HIRES franchises added this year. A number of smaller franchises were discontinued or amalgamated.

### International

The International Operations do not reflect the same relative growth as that of the United States market due to several regional situations beyond our control. Political uncertainties in several countries, together with financial and internal problems in others, and a severe earthquake in Peru, caused a temporary slow down of export orders. The situations that caused these temporary disruptions now appear to be alleviated and there should be an improvement in 1971. These factors did, however, affect our performance in these markets during the past year.

Your Company has expanded into several new markets in Europe and has just introduced one of our newer products, Gini, into France. We look forward to good results from this important area.

Plans for new business are being developed in Central America and Africa, and hopefully these will be finalized during the spring of 1971.

### Canada

The Canadian Division showed only a slight increase in profits over last year. Higher costs, particularly for sugar as well as for glass, cans, cartons and labour were not recovered, as generally selling prices were not increased. Prices will have to be increased shortly to provide for

these continually rising costs. Eight new franchises were awarded in the past year and five franchises were cancelled or integrated.

The 1971 advertising and promotional programmes for our various products have been accepted with enthusiasm and support by our bottlers, and this should reflect further improvement and growth during the coming year.

### General

Your Company continues to give consideration to the acquisition of growth businesses within the carbonated beverage industry. Present indications point to a continuance of our present rate of growth and we look forward to another satisfactory year in 1971.

In October 1970 the McConnell interests of Montreal purchased 831,000 common shares of the Company from the Horsey interests in Toronto.

Mr. Grant Horsey's resignation as a Director and Chairman of the Executive Committee was accepted with regret and Mr. Peter M. McEntyre, President of Commercial Trust Company Limited, was elected to the Board of Directors on December 16, 1970. His advice and counsel will provide additional benefits to the affairs of the Company.

We express our sincere appreciation for the devoted efforts of our employees and bottlers whose loyalty and drive greatly contributed to the excellent achievement during the past year. The continued support of our customers and shareholders is greatly appreciated.

J. M. THOMPSON  
*Chairman of the Board*

LOUIS COLLINS  
*President*

December 16th 1970.

**Five Year Review**

<b>Operating Results</b>	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>
Gross operating revenue - -	\$35,341,565	\$37,121,948	\$33,069,442	\$28,844,843	\$25,502,290
Earnings from operations					
before taxes - - - - -	4,681,520	3,759,624	2,895,152	2,186,576	1,852,944
Provision for income taxes (1)-	2,264,500	1,757,361	1,235,583	729,891	547,202
Net earnings from operations -	2,417,020	2,002,263	1,659,569	1,456,685	1,305,742
Dividends paid - - - - -	1,038,965	634,101	547,589	546,588	409,151
<b>Financial Position</b>					
Current assets - - - - -	13,609,193	10,793,942	9,005,254	7,699,862	8,092,528
Current liabilities - - - - -	6,650,026	5,043,534	5,835,186	3,912,969	4,048,551
Working capital - - - - -	6,959,167	5,750,408	3,170,068	3,786,893	4,043,977
Fixed assets, net - - - - -	5,280,347	6,373,575	7,803,720	6,183,825	5,836,281
Total assets - - - - -	23,886,683	20,212,461	21,178,277	18,137,661	18,311,432
Long-term liabilities - - -	3,986,900	3,450,850	4,409,432	4,450,563	5,120,498
Shareholders' equity - - -	13,249,757	11,718,077	10,933,659	9,774,129	9,142,383
<b>Per Common Share</b>					
Net earnings from operations					
per share - - - - -	.58	.48	.40	.35	.32
Dividends per share - - -	.25	.15	.13	.13	.10
Book value per share - - -	3.19	2.82	2.66	2.38	2.23
Number of shares outstanding					
adjusted for three for one					
share split - - - - -	4,158,478	4,148,828	4,113,828	4,101,828	4,091,628
(1) Taxes were reduced by the following					
amounts by the application of pre-					
acquisition losses of a subsidiary					
company acquired in 1965 - -	—	109,000	207,000	235,000	220,000



**Consolidated Statement of Earnings**

FOR THE YEAR ENDED OCTOBER 28, 1970

	1970	1969
GROSS OPERATING REVENUE - - - - -	\$35,341,565	\$37,121,948
EARNINGS BEFORE THE UNDERNOTED ITEMS - - - - -	5,326,829	4,889,478
OTHER CHARGES (INCOME)		
Depreciation - - - - -	454,656	600,999
Returnable container expense (1969-amortization) - - -	200,029	377,920
Interest on long-term debt - - - - -	370,456	334,570
*Income from short-term investments - - - - -	(361,238)	(146,439)
Profit on sale of fixed assets - - - - -	(18,594)	(37,196)
	645,309	1,129,854
INCOME TAXES	4,681,520	3,759,624
Current - - - - -	2,124,500	1,910,361
*Deferred - - - - -	140,000	(153,000)
	2,264,500	1,757,361
NET EARNINGS FROM OPERATIONS BEFORE EXTRAORDINARY ITEM -	2,417,020	2,002,263
EXTRAORDINARY ITEM—(note 6)		
Gain on closing of Toronto bottling plant, less income taxes		
applicable thereto - - - - -	78,920	—
NET EARNINGS FOR THE YEAR - - - - -	\$ 2,495,940	\$ 2,002,263
EARNINGS PER SHARE (note 4)		
Net earnings from operations before extraordinary item - - -	.58	.48
Net earnings - - - - -	.60	.48

\*1969 figure has been reclassified for comparative purposes.

**Consolidated Statement of Retained Earnings**

FOR THE YEAR ENDED OCTOBER 28, 1970

	1970	1969
RETAINED EARNINGS—BEGINNING OF YEAR - - - - -	\$ 7,749,008	\$ 6,610,330
Net earnings for the year - - - - -	2,495,940	2,002,263
Reinstatement of contingency reserve - - - - -	—	500,000
	10,244,948	9,112,593
Dividends paid - - - - -	1,038,965	634,101
Loss on disposal of Montreal Division, less income taxes		
recoverable thereon - - - - -	—	156,780
Loss on containers less income taxes recoverable thereon - -	—	387,704
Provision for deferred income taxes - - - - -	—	185,000
	1,038,965	1,363,585
RETAINED EARNINGS—END OF YEAR - - - - -	\$ 9,205,983	\$ 7,749,008

# CRUSH INTERNATIONAL LIMITED

(Incorporated under the laws of Ontario)

and subsidiaries

ASSETS		1970	1969
CURRENT ASSETS			
Cash and short-term investments - - - - -		\$ 6,992,612	\$ 4,287,035
Accounts receivable - - - - -		2,728,100	2,781,026
Inventories—at lower of cost and net realizable value - - -		3,494,449	3,418,344
Prepaid expenses and deferred charges - - - - -		394,032	307,537
		<u>13,609,193</u>	<u>10,793,942</u>
OTHER ASSETS			
9% Mortgage receivable—due July 31, 1974 - - - - -		300,518	679,024
Deferred accounts receivable - - - - -		—	35,921
Investment in shares of foreign subsidiaries not consolidated—at cost (note 1) - - - - -		27,105	27,105
		<u>327,623</u>	<u>742,050</u>
FIXED ASSETS			
Land, buildings, machinery and equipment—at cost - - - -		8,124,174	9,935,971
Accumulated depreciation - - - - -		2,843,827	3,562,396
		<u>5,280,347</u>	<u>6,373,575</u>
TRADE MARKS, FORMULAE AND GOODWILL—at cost less amounts written off - - - - -		4,669,520	2,302,894
Signed on behalf of the Board, LOUIS COLLINS, Director D. A. McINTOSH, Director		<u>\$23,886,683</u>	<u>\$20,212,461</u>

## Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Crush International Limited and its subsidiaries as at October 28th, 1970 and the consolidated statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.



**Consolidated Balance Sheet**

AS AT OCTOBER 28, 1970

LIABILITIES										1970	1969
CURRENT LIABILITIES											
Accounts payable and accrued liabilities	-	-	-	-	-	-	-	-	-	\$ 4,780,668	\$ 4,099,627
Income and sundry taxes payable	-	-	-	-	-	-	-	-	-	1,547,428	927,707
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	321,930	16,200
										<u>6,650,026</u>	<u>5,043,534</u>
LONG-TERM DEBT (note 2)	-	-	-	-	-	-	-	-	-	3,986,900	3,450,850
										<u>10,636,926</u>	<u>8,494,384</u>
SHAREHOLDERS' EQUITY											
CAPITAL STOCK (note 3)											
Authorized—											
90,000 preference shares of a par value											
of \$100 each, issuable in series											
9,000,000 common shares without par value											
Issued and fully paid—											
4,158,478 common shares (1969—4,148,828)	-	-	-	-	-	-	-	-	-	4,043,774	3,969,069
RETAINED EARNINGS	-	-	-	-	-	-	-	-	-	9,205,983	7,749,008
										<u>13,249,757</u>	<u>11,718,077</u>
										<u>\$23,886,683</u>	<u>\$20,212,461</u>

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 28th, 1970 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in reporting of extraordinary items described in note 6, with which we concur.

Toronto, December 8, 1970.

COOPERS & LYBRAND  
Chartered Accountants

**Consolidated Statement of Source and Use of Working Capital**

FOR THE YEAR ENDED OCTOBER 28, 1970

## SOURCE OF WORKING CAPITAL

	<u>1970</u>	<u>1969</u>
Net earnings for the year - - - - -	\$2,495,940	\$2,002,263
Add:		
Charges not requiring cash outlay—		
Depreciation - - - - -	454,656	600,999
Container amortization - - - - -	—	377,920
	<u>2,950,596</u>	<u>2,981,182</u>
Deduct:		
Profit on sale of fixed assets - - - - -	18,594	37,196
Total from operations - - - - -	2,932,002	2,943,986
Deferred accounts receivable - - - - -	35,921	112,215
Disposal of fixed assets, less additions - - - - -	657,166	709,562
Disposal and reclassification of containers - - - - -	—	603,947
Issue of capital stock - - - - -	74,705	145,740
9% Mortgage receivable - - - - -	378,506	—
Other - - - - -	3,874	215
	<u>4,082,174</u>	<u>4,515,665</u>

## USE OF WORKING CAPITAL

Dividends paid - - - - -	1,038,965	634,101
Long-term debt reduction - - - - -	756,950	437,200
9% Mortgage assumed on disposal of Montreal Division - - -	—	679,024
Provision for deferred income taxes - - - - -	—	185,000
Purchase of trade marks and formulae - - - - 2,370,500		
Issue of 8% note - - - - - 1,293,000	1,077,500	—
	<u>2,873,415</u>	<u>1,935,325</u>

INCREASE IN WORKING CAPITAL - - - - -	1,208,759	2,580,340
WORKING CAPITAL—BEGINNING OF YEAR - - - - -	5,750,408	3,170,068
WORKING CAPITAL—END OF YEAR - - - - -	<u>\$6,959,167</u>	<u>\$5,750,408</u>



**Explanatory Notes to Consolidated Financial Statements**

FOR THE YEAR ENDED OCTOBER 28, 1970

**1. PRINCIPLES OF CONSOLIDATION**

- (a) The financial statements include the accounts of Crush International Limited and all subsidiaries, except certain foreign subsidiaries whose accounts were not consolidated because foreign exchange restrictions apply.

The earnings of unconsolidated foreign subsidiaries for the year were \$40,021, and their undistributed earnings since acquisition and not taken into the accounts of the Company were \$255,117 at October 28, 1970. Such earnings have been converted at the exchange rate prevailing at the balance sheet date.

- (b) United States Dollars have been converted to Canadian Dollars as follows:

- (i) Earnings, current assets, and current liabilities at the exchange rate prevailing at the balance sheet date.  
(ii) Other assets and liabilities substantially at the rate prevailing when they were acquired or incurred.

**2. LONG-TERM DEBT**

Bank loan repayable in annual instalments of U.S. \$390,000 from November 1, 1971 to 1976, with the balance of U.S. \$380,000 payable on November 1, 1977, bearing interest payable monthly at 1% above the prime New York rate and is secured by Serial Bonds, which Serial Bonds are secured on the assets of the Company and on the assets of certain subsidiaries—U.S. \$2,720,000

8% note payable in annual instalments of U.S. \$300,000 from December 31, 1970 to December 31, 1973—	
U.S. \$1,200,000 less current portion	969,750
6% Mortgage payable in monthly instalments plus interest, balance due July 31, 1972 -	93,150
Total Long-Term Debt	<u>\$3,986,900</u>

**3. CAPITAL STOCK**

Changes during the year in issued and fully paid common shares without par value were as follows:

	Number of Shares	\$
Balance—October 29, 1969	4,148,828	3,969,069
Issue of shares for cash pursuant to options held by the executive officers of the Company or its subsidiaries	9,650	74,705
Balance—October 28, 1970	<u>4,158,478</u>	<u>4,043,774</u>

Certain executive officers and key employees of the Company or its subsidiaries hold options exercisable at various dates on or before December 5, 1974 to purchase 108,250 common shares at prices ranging from \$5.00 to \$13.25 per share including options to purchase 5,000 common shares granted during the year.

**4. EARNINGS PER SHARE**

Earnings per share have been calculated on the basis of the weighted average of shares outstanding.

The exercise of outstanding options to purchase common shares would not have a dilutive effect on 1970 earnings per share before extraordinary items or on net earnings per share.

**5. EXECUTIVE REMUNERATION**

The aggregate direct remuneration to the directors and senior officers amounted to \$265,644 (1969—\$234,882).

During the year the Company and a subsidiary entered into employment agreements with certain senior officers of the Company providing, among other things, for payments by the Company or a subsidiary to such senior officers during retirement, such payments to be in addition to pension benefits to which such senior officers will be entitled. The aggregate maximum amount which the Company or any subsidiary may be required to pay in any one year under the agreements is \$37,500.

**6. EXTRAORDINARY ITEMS**

In prior years, extraordinary items were reported in the statement of retained earnings except that income tax reductions resulting from the application of prior years' losses were included in the statement of earnings. In 1970, the extraordinary item is included in the statement of earnings.

## CRUSH INTERNATIONAL LIMITED

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### Operating in over 50 Countries

#### OFFICES

CANADA (*Head Office*) :

1590 O'Connor Drive, Toronto 375, Ontario

UNITED STATES :

2201 Main Street, Evanston, Illinois 60204

SOUTH AMERICA :

Avenida Franklin Roosevelt, 84 Rio de Janeiro, Brazil

#### SUBSIDIARY COMPANIES

Beverages International Inc.

Crush Beverages Limited

Crush International (U.K.) Limited

Crush International Inc.

Crush Industria De Concentrados Ltda.

Gini International Limited

Inter-American Orange-Crush Company

International Beverage Services Inc.

Pure Spring (Canada) Limited

#### HOLDING COMPANIES

The Hires Company

Orange Crush Company

#### PRODUCTS

Orange CRUSH

Lemon-Lime CRUSH

Grape CRUSH

Grapefruit CRUSH

Cream Soda CRUSH

Strawberry CRUSH

HIRES Root Beer

SUN-DROP

KIK Cola

AMERICA DRY Ginger Ale

AMERICA DRY Club Soda

AMERICA DRY Tom Collins

AMERICA DRY Grapefruit-Lemon

GURD'S Dry Ginger Ale

VÉE DE VÉE

OLD COLONY Beverages

AMERICA DRY Canned Beverages

CRUSH Canned Beverages

HIRES Canned Beverages

CRUSH Fountain Syrups

HIRES Fountain Syrups

PURE SPRING Dry Ginger Ale

PURE SPRING Flavours & Mixers

GINI Bitter Lemon

UPTOWN

HONEE-ORANGE

HONEE-GOLD Orange

BRIO CHINOTTO

INDIA EXPRESS Tonic Water

EXPORT Canned Soft Drinks

#### MASTER FRANCHISE FOR CANADA

ROYAL CROWN Cola

DIET-RITE Cola

ROYAL CROWN Canned Soft Drinks

DIET-RITE Canned Soft Drinks

#### CONCENTRATE AND PROCESSING PLANTS

Canada : Toronto, Ontario (2) ; Ottawa, Ontario ;

Montreal, Quebec

United States : Evanston, Illinois ; Trenton, New Jersey

South America : Montevideo, Uruguay ; Rio de Janeiro, Brazil

#### BANKERS

Canadian Imperial Bank of Commerce, Toronto, Ontario

American National Bank and Trust Company, Chicago, Illinois

Madison Bank and Trust Company, Chicago, Illinois

#### TRANSFER AGENT

Crown Trust Company, Montreal, Toronto, Winnipeg  
and Vancouver

#### LEGAL COUNSEL

Fraser & Beatty, Toronto, Ontario

Kirkland, Ellis, Hodson, Chaffetz & Masters, Chicago, Illinois

Baker & McKenzie, Chicago, Illinois

#### SHAREHOLDERS' AUDITORS

Coopers & Lybrand, Toronto, Ontario

Lybrand, Ross Bros. & Montgomery, Chicago, Illinois

#### ADDRESS ALL COMMUNICATIONS TO

The Secretary, Crush International Limited,  
1590 O'Connor Drive, Toronto 375, Ontario



## CRUSH INTERNATIONAL LIMITED

### Board of Directors

DOUGLAS W. BEST	Toronto, Ont.
President, T. H. Best Printing Company Ltd., Toronto, Ont.	
RALPH B. BRENNAN	Rothesay, N.B.
President, G. E. Barbour Company Limited, Saint John, N.B.	
*LOUIS COLLINS	Evanston, Illinois
President, Crush International Limited, Toronto, Ont.	
*NELSON M. DAVIS	Toronto, Ont.
Chairman, N. M. Davis Corporation Limited, Toronto, Ont.	
WILLIAM J. H. DISHER	Toronto, Ont.
Director, Frankel Structural Steel Ltd., Toronto, Ontario	
IAN R. DOWIE	Toronto, Ont.
Retired Executive	
HON. LOUIS P. GÉLINAS, M.B.E.	Montreal, P.Q.
Executive Consultant, Geoffrion, Robert & Gélinas, Co., Montreal, P.Q.	
G. W. OWEN	Toronto, Ont.
Partner, Fraser & Beatty, Toronto, Ont.	
JOHN A. McCLEERY, F.C.A.	Don Mills, Ont.
President, J. A. McCleery Limited, Toronto, Ont.	
*EDWIN C. McDONALD	New York, N.Y.
Chairman, The Royal Bank of Canada Trust Company, New York, N.Y.	
*PETER M. McENTYRE	Westmount, P.Q.
President, Commercial Trust Company Limited	
*D. A. McINTOSH, Q.C.	Toronto, Ont.
Partner, Fraser & Beatty, Toronto, Ont.	
ROBERT A. McNAIR	Toronto, Ont.
President, Bristol-Myers Canada Limited, Toronto, Ont.	
**J. M. THOMPSON	Willowdale, Ont.
Chairman of the Board, Crush International Limited, Toronto, Ont.	
(**Chairman of the Executive Committee)	
(* Member of the Executive Committee)	

### Officers

#### CRUSH INTERNATIONAL LIMITED

J. M. THOMPSON	- - - - -Chairman of the Board
LOUIS COLLINS	- - President and Chief Executive Officer
R. P. J. DEES	- - Vice-President Finance and Secretary

#### CRUSH BEVERAGES LIMITED

LOUIS COLLINS	- - - - - President
D. E. P. ARMOUR	- Vice-President and General Manager
D. G. OTTAWAY	- Vice-President and Asst. General Manager
R. P. J. DEES	- - - - - Vice-President and Secretary
P. DAOUST	- - - - - Vice-President
W. N. GILCHRIST	- - - - - Vice-President
D. J. SMITH	- - - - - Vice-President

#### GINI INTERNATIONAL LIMITED

LOUIS COLLINS	- - - - - President
W. L. JOHNSON	- - - - - Vice-President and Treasurer
W. L. LAUTEN	- - - - - Secretary

#### BEVERAGES INTERNATIONAL INC.

and

#### CRUSH INTERNATIONAL INC.

J. M. THOMPSON	- - - - -Chairman of the Board
LOUIS COLLINS	- - - - - President
F. S. O'DONNELL	- Vice-President and General Manager
W. L. JOHNSON	- - - - - Vice-President and Treasurer
R. A. POINDEXTER	- - - - - Vice-President Franchise
J. R. McGOWAN	- - - - - Vice-President International
W. L. LAUTEN	- - - - - Secretary

#### PURE SPRING (CANADA) LIMITED

J. M. THOMPSON	- - - - -Chairman of the Board
NORMAN MIRSKY	- - - - - President
MERVIN MIRSKY	- - - - - Vice-President
R. P. J. DEES	- - - - - Secretary-Treasurer



### OUR PLEDGE

Crush International Limited takes pride in the excellence of its products. To create and produce beverages of unsurpassed freshness, purity and quality is our highest aspiration . . . our constant aim. Thus it is with confidence that we publish this symbol as an honest and unconditional guarantee. We pledge our untiring diligence in maintaining our exacting standards of production . . . in supplying beverages of delicious fresh flavour and wholesome healthful goodness.





